

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Jerome Township	County Midland
Fiscal Year End June 30, 2006	Opinion Date October 20, 2006	Date Audit Report Submitted to State December 29, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

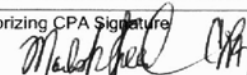
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Burnside & Lang, P.C.		Telephone Number (989) 835-7721	
Street Address 5915 Eastman Ave. Suite 100		City Midland	State MI
Zip 48640			
Authorizing CPA Signature 	Printed Name Mark R. Freed	License Number 1101012221	

JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN

FINANCIAL STATEMENTS
For The Year Ended June 30, 2006

JEROME TOWNSHIP
BOARD OF TRUSTEES

Stuart D. Bloomfield	Supervisor
Laura A. Grubaugh	Treasurer
Connie Methner	Clerk
Dale Thornton	Trustee
Anna Merillat	Trustee

POPULATION-2000
3,945

STATE EQUALIZED VALUATION-2005
\$134,864,650

STATE TAXABLE VALUE-2005
\$120,203,644

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
June 30, 2006**

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Independent Auditors' Report

Members of The Township
Board of Trustees
Jerome Township
Midland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jerome Township (the "Township"), Midland County, Michigan, as of and for the year ended June 30, 2006 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jerome Township, Midland County, Michigan, as of June 30, 2006 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 18, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements of Jerome Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Burnside & Lang, P.C.

Midland, Michigan
October 20, 2006

JEROME TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

Cash and cash equivalents	\$ 1,249,318
Accounts receivable	25,160
Due from other funds	100
Due from other governmental units	40,234
Capital assets:	
Land	109,199
Buildings and improvements, net	103,742
Township equipment, net	1,692
Fire department equipment, net	30,297
Fire department vehicles, net	421,720
Total capital assets	<u>666,650</u>
Total assets	<u>1,981,462</u>

LIABILITIES

Accounts payable	38,535
Long-term liabilities:	
Portion due or payable within one year:	
Bonds and contracts payable	55,000
Portion due or payable after one year:	
Bonds and contracts payable	855,000
Total liabilities	<u>948,535</u>

NET ASSETS

Invested in capital assets, net of related debt	666,650
Unrestricted	366,277
Total net assets	<u>\$ 1,032,927</u>

The accompanying notes are an integral part of these financial statements.

JEROME TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Activities:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government:					
Township board	\$ 68,414	\$ -	\$ -	\$ -	\$ (68,414)
Supervisor	21,647	-	-	-	(21,647)
Treasurer	35,375	-	-	-	(35,375)
Assessing	30,578	-	-	-	(30,578)
Clerk	29,149	-	-	-	(29,149)
Elections	200	-	-	-	(200)
Board of review	1,573	-	-	-	(1,573)
Buildings and grounds	13,104	9,689	-	-	(3,415)
All other general government	4,419	21,107	-	-	16,688
Public safety	129,306	-	-	-	(129,306)
Building inspection and regulation activities	14,221	14,500	-	-	279
Cemetery	21,595	5,750	-	-	(15,845)
Roads and drains	80,049	-	-	-	(80,049)
Street lights	12,946	-	-	-	(12,946)
Sanitation, solid waste	292,702	340,980	-	-	48,278
Planning and zoning	6,101	-	-	-	(6,101)
Parks and recreation	10,245	7,077	-	-	(3,168)
Interest and fiscal charges	44,193	-	-	-	(44,193)
Total governmental activities	\$ 815,817	\$ 399,103	\$ -	\$ -	(416,714)
General revenues:					
Property taxes, levied for general purposes					312,872
Federal aid					2,557
State revenue sharing					271,344
Interest earnings					33,260
Miscellaneous					59,965
Total general revenues					679,998
Change in net assets					263,284
Net assets-beginning					769,643
Net assets-ending					\$ 1,032,927

The accompanying notes are an integral part of these financial statements.

JEROME TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2006

	General Fund	Solid Waste Fund	Non-Major Funds	Total
ASSETS				
Cash and cash equivalents	\$ 335,593	\$ 244,687	\$ 669,038	\$ 1,249,318
Accounts receivable, net	-	-	25,160	25,160
Due from other township funds	100	-	-	100
Due from other governmental units	40,234	-	-	40,234
Total assets	\$ 375,927	\$ 244,687	\$ 694,198	\$ 1,314,812
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,405	\$ 33,755	\$ 1,375	\$ 38,535
Total liabilities	3,405	33,755	1,375	38,535
Fund balances:				
Unreserved	372,522	210,932	692,823	1,276,277
Total fund balances	372,522	210,932	692,823	1,276,277
Total liabilities and fund balances	\$ 375,927	\$ 244,687	\$ 694,198	\$ 1,314,812

The accompanying notes are an integral part of these financial statements.

JEROME TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balances for governmental funds (Exhibit 3)	\$	1,276,277
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	109,199	
Buildings and improvements, net of \$241,688 accumulated depreciation		103,742	
Township equipment, net of \$16,565 accumulated depreciation		1,692	
Fire department equipment, net of \$243,153 accumulated depreciation		30,297	
Fire department vehicles, net of \$316,280 accumulated depreciation		<u>421,720</u>	
Total capital assets			666,650

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Balances at June 30, 2006 are:

Midland County Water Supply System Bonds, Series 1998	\$	<u>(910,000)</u>	<u>(910,000)</u>
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Total net assets of governmental activities (Exhibit 1)	\$	<u><u>1,032,927</u></u>
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JEROME TOWNSHIP
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES

For the Year Ended June 30, 2006

	General Fund	Solid Waste Fund	Non-Major Funds	Total
REVENUES				
Property taxes	\$ 137,653	\$ -	\$ 175,219	\$ 312,872
Licenses and permits	13,779	-	721	14,500
Federal aid	-	-	2,557	2,557
State aid	271,344	-	-	271,344
Charges for services	21,107	-	-	21,107
Interest and dividends	12,359	4,788	16,113	33,260
Rents and royalties	15,439	-	-	15,439
Special assessments	7,077	340,980	-	348,057
Miscellaneous	9,245	-	50,720	59,965
Total revenues	488,003	345,768	245,330	1,079,101
EXPENDITURES				
General government	193,613	-	-	193,613
Public safety	14,221	-	87,333	101,554
Public works	109,884	292,702	4,705	407,291
Community development	6,101	-	-	6,101
Recreation and culture	10,245	-	-	10,245
Capital outlay	830	-	1,367	2,197
Debt service	-	-	94,193	94,193
Total expenditures	334,894	292,702	187,598	815,194
Excess (deficiency) of revenues over expenditures	153,109	53,066	57,732	263,907
OTHER FINANCING SOURCES (USES)				
Transfers-in	-	-	110,000	110,000
Transfers-out	(110,000)	-	-	(110,000)
Total other financing sources and uses	(110,000)	-	110,000	-
Net change in fund balances	43,109	53,066	167,732	263,907
Fund balances-beginning	329,413	157,866	525,091	1,012,370
Fund balances-ending	\$ 372,522	\$ 210,932	\$ 692,823	\$ 1,276,277

The accompanying notes are an integral part of these financial statements.

**JEROME TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
June 30, 2006**

Net change in fund balances - total governmental funds (Exhibit 4)	\$	263,907
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$2,197) exceeded depreciation (\$52,820) in the current period.		(50,623)
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Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:

Midland County Water Supply System Bonds, Series 1998	\$	50,000		
				50,000

Change in net assets of governmental activities (Exhibit 2)	\$	263,284

The accompanying notes are an integral part of these financial statements.

JEROME TOWNSHIP
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
CURRENT TAX FUND
June 30, 2006

ASSETS

Cash and cash equivalents	\$ 100
Total assets	<u>100</u>

LIABILITIES

Due to other funds	<u>100</u>
Total liabilities	<u>100</u>

NET ASSETS	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of these financial statements.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Although the Township 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Township's policy to recognize revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

The 2005 taxable valuation of the Township totaled \$120,203,644, on which ad valorem taxes levied consisted of 1.10 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue.

The government reports the following major funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Solid Waste Fund accounts for providing garbage and rubbish collection financed by an annual special assessment.

Additionally, the government reports the following fund type:

The Current Tax Collection Fund is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Prepaid Items—Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

Capital Assets—Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	10 to 40 years
Building improvements	10 to 30 years
Hall equipment	5 to 30 years
Office equipment	5 to 30 years
Computer equipment	5 years

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets (Continued)

Long-Term Obligations—In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the department or activity level.

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 1,249,218	\$ 100	\$ 1,249,318

The breakdown between deposits and investments is as follows:

Bank Deposits (checking and savings, certificate of deposit)	\$ 1,249,318
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The bank balance of the government deposits is \$1,249,318, of which \$200,000 is covered by federal deposit insurance.

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,049,318 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that Jerome Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Township had no investment activity.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The Township has no investment at this time, therefore they have no interest rate risk.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 4. CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 109,199	\$ -	\$ -	\$ 109,199
Capital Assets Being Depreciated				
Buildings and improvements	345,430	-	-	345,430
Township equipment	17,427	830	-	18,257
Fire department equipment	272,083	1,367	-	273,450
Fire department vehicles	738,000	-	-	738,000
Subtotal	1,372,940	2,197	-	1,375,137
Less Accumulated Depreciation for				
Buildings and improvements	233,404	8,284	-	241,688
Township equipment	14,003	2,562	-	16,565
Fire department equipment	224,020	19,133	-	243,153
Fire department vehicles	293,440	22,840	-	316,280
Subtotal	764,867	52,819	-	817,686
Net Capital Assets Being Depreciated	608,073	(50,622)	-	557,451
Governmental Activities Capital Assets—Net of Depreciation	\$ 717,272	(50,622)	\$ -	\$ 666,650

Depreciation expense was charged to programs of the Township as follows:

General government:	
Supervisor	\$ 378
Treasurer	573
Clerk	1,611
Fire department equipment	19,133
Fire departments vehicles	22,840
Buildings and improvements	8,284
	<u>\$ 52,819</u>

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The amount of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 100	Tax	\$ 100
Total	<u>\$ 100</u>	Total	<u>\$ 100</u>

The amount of interfund transfers are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Transfers In</u>
General	\$ 100	Hall Replacement	\$ 10,000
General	<u>100,000</u>	Water	<u>100,000</u>
Total	<u>\$ 110,000</u>	Total	<u>\$ 110,000</u>

NOTE 6. LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that directly benefitted from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 6. LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Midland County Water Supply System No. 1 bonds issued at January 13, 1998 in the principal amount of \$1,250,000 (less \$25,000 discount). The bond will be paid off in the year ending June 30, 2018.	<u>\$ 960,000</u>	<u>-</u>	<u>\$ 50,000</u>	<u>\$ 910,000</u>

Scheduled principal maturities of long-term debt for years subsequent to June 30, 2006 are as follows:

<u>Year Ended June 30,</u>	
2007	\$ 55,000
2008	60,000
2009	60,000
2010	65,000
2011	70,000
2012-2018	<u>600,000</u>
	<u>\$ 910,000</u>

NOTE 7. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 8. PENSION PLAN

The Township provides pension benefits to members of the Township Board of Trustees, constables, building inspector, fire chief and custodian through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 6.2% of employee gross earnings and the employee contributes 6.2% of earnings. In accordance with these requirements, the Township contributed \$7,026 during the current year and employees contributed \$7,026.

NOTE 9. MIDLAND COUNTY WATER DISTRICT / WATER DISTRICT #1

The Township of Jerome is a participating municipality with, and purchases water from, Midland County Water District No. 1. The District was acquired and financed pursuant to a contract between the County of Midland, the Township of Lincoln, the Village of Sanford and the Township of Jerome. Midland County holds legal title to the water lines but only in trust for the benefit of the participating municipalities. Applicable water payments to Midland County Water District No. 1 belong to the Township of Jerome and may only be used for the payment of capital costs, maintenance and operations of the Water District.

Midland County Water District No. 1 is responsible for the general operation, maintenance and repair of the District. The participating municipalities receive refunds of any excess funds from the District; however, the participating municipalities are also proportionately liable for any shortage of funds needed for the general operation, maintenance and repair of the system.

The Township received a refund from Midland County Water District No.1 of \$50,320 during the year ended June 30, 2006.

JEROME TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 137,537	\$ 137,537	\$ 137,653	\$ 116
Licenses and permits	10,544	10,544	13,779	3,235
State aid	275,000	275,000	271,344	(3,656)
Charges for services	14,600	14,600	21,107	6,507
Interest and dividends	6,000	6,000	12,359	6,359
Rents and royalties	3,750	3,750	15,439	11,689
Special assessments		-	7,077	7,077
Miscellaneous	15,100	15,100	9,245	(5,855)
Total revenues	462,531	462,531	488,003	25,472
EXPENDITURES				
General Government:				
Towship board	167,684	167,684	68,414	99,270
Supervisor	22,404	22,404	21,269	1,135
Treasurer	37,706	37,706	34,802	2,904
Assessing	30,956	30,956	30,578	378
Clerk	31,004	31,004	27,538	3,466
Elections	1,200	1,200	200	1,000
Board of review	1,850	1,850	1,573	277
Buildings and grounds	7,040	7,040	4,820	2,220
All other general government	9,500	9,500	4,419	5,081
Public Safety:				
Building inspection and regulation activities	27,076	27,076	14,221	12,855
Public Works:				
Cemetery	24,156	24,156	21,595	2,561
Roads and drains	132,000	132,000	75,344	56,656
Street lights	15,000	15,000	12,945	2,055
Landfill Maintenance	13,000	13,000	-	13,000
Community Development:				
Planning and zoning	8,150	8,150	6,101	2,049
Recreation and Culture:				
Parks and recreation	13,500	13,500	10,245	3,255
Capital Outlay				
General government	830	830	830	-
Total expenditures	543,056	543,056	334,894	208,162
Excess of revenues over expenditures	(80,525)	(80,525)	153,109	233,634
OTHER FINANCING SOURCES (USES)				
Transfers-out	(110,000)	(110,000)	(110,000)	-
Total other financing sources and uses	(110,000)	(110,000)	(110,000)	-
Net change in fund balances	(190,525)	(190,525)	43,109	233,634
Fund balances-beginning	329,413	329,413	329,413	-
Fund balances-ending	\$ 138,888	\$ 138,888	\$ 372,522	\$ 233,634

JEROME TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Fire Fund	Fire Apparatus Fund	Cemetery Fund	Liquor Fund	Hall Replacement Fund	Water Fund	Priv. Road Maintenance Fund	Total Nonmajor Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 80,527	\$ 298,151	\$ -	\$ 177	\$ 185,214	\$ 103,176	\$ 1,793	\$ 669,038
Accounts receivable, net	-	-	-	-	-	25,160	-	25,160
Total assets	\$ 80,527	\$ 298,151	\$ -	\$ 177	\$ 185,214	\$ 128,336	\$ 1,793	\$ 694,198
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,375	\$ -	\$ 1,375
Total liabilities	-	-	-	-	-	1,375	-	1,375
Fund balances:								
Unreserved	80,527	298,151	-	177	185,214	126,961	1,793	692,823
Total fund balances	80,527	298,151	-	177	185,214	126,961	1,793	692,823
Total liabilities and fund balances	\$ 80,527	\$ 298,151	\$ -	\$ 177	\$ 185,214	\$ 128,336	\$ 1,793	\$ 694,198

JEROME TOWNSHIP
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	Fire Fund	Fire Apparatus Fund	Cemetery Fund	Liquor Fund	Hall Replacement Fund	Water Fund	Priv. Road Maintenance Fund	Total Nonmajor Governmental Funds
REVENUES								
Property taxes	\$ 86,799	\$ 86,732	\$ -	\$ -	\$ -	\$ -	\$ 1,688	\$ 175,219
Licenses and permits	-	-	-	721	-	-	-	721
Federal aid	2,557	-	-	-	-	-	-	2,557
Interest and dividends	764	9,207	-	1	5,498	639	4	16,113
Miscellaneous	100	-	-	300	-	50,320	-	50,720
Total revenues	90,220	95,939	-	1,022	5,498	50,959	1,692	245,330
EXPENDITURES								
Public safety	86,264	-	-	1,069	-	-	-	87,333
Public works	-	-	-	-	-	3,235	1,470	4,705
Community development	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-	-
Capital outlay	1,367	-	-	-	-	-	-	1,367
Debt service	-	-	-	-	-	94,193	-	94,193
Total expenditures	87,631	-	-	1,069	-	97,428	1,470	187,598
Excess (deficiency) of revenues over expenditures	2,589	95,939	-	(47)	5,498	(46,469)	222	57,732
OTHER FINANCING SOURCES (USES)								
Transfers-in	-	-	-	-	10,000	100,000	-	110,000
Transfers-out	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	10,000	100,000	-	110,000
Net change in fund balances	2,589	95,939	-	(47)	15,498	53,531	222	167,732
Fund balances-beginning	77,938	202,212	-	224	169,716	73,430	1,571	525,091
Fund balances-ending	\$ 80,527	\$ 298,151	\$ -	\$ 177	\$ 185,214	\$ 126,961	\$ 1,793	\$ 692,823

October 20, 2006

Members of the Township Board
Jerome Township
Midland County, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Jerome Township, for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls. Our consideration of the internal controls would not necessarily disclose all matters in the internal control process that might be material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control elements does not reduce the risk that misstatements caused by errors or irregularities in amounts that would be material in relation to the financial statements.

The following comments and recommendations are submitted to assist in improving procedures and controls. We would be pleased to discuss these suggestions or to respond to any questions at your convenience.

MANAGEMENT COMMENTS

Financial Oversight

The general limitations in any smaller organization like Jerome Township require that the Township Board of Trustees continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the interim financial statements, and the independent review of critical functions. Based on inquiries, the Township Board of Trustees perform these duties and our comment here is intended to emphasize the importance of its oversight.

Landfill

The Township owns a 12 acre parcel, which was used for many years as a landfill. During the year ended June 30, 2006, the Township Board of Trustees continued to retain the services of an environmental consulting firm to perform various procedures to obtain samples for testing. The testing process is not complete, and is being accomplished with the money that the Township can afford. No dollar amount of expected clean up has been given by the environmental assessment company. We recommend the Board of Trustees continue with the testing to complete the environmental assessment as soon as reasonably possible.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the June 30, 2006 financial statements, and this report does not affect our report on those financial statements dated December 16, 2006. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Jerome Township Board, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Burnside & Lang, P.C.

Burnside & Lang, P.C.